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## Press Conference

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### **PRESS CONFERENCE TO LAUNCH 2008 EDITION OF 'ECONOMIC REPORT ON AFRICA'**

While forecasting 6.2 per cent average economic growth for Africa in 2008, up from 5.8 per cent in 2007, the latest edition of the *Economic Report on Africa* also outlines key challenges to the continent's growth, including climate change, weak infrastructure, poor governance, external debt and insufficient aid flows, two senior United Nations economists said at a Headquarters press conference today.

Launching the annual joint publication of the United Nations Economic Commission for Africa (ECA) and the African Union, Richard Kozul-Wright and Pingfan Hong, senior economists with the Department of Economic and Social Affairs, said the first part of the report focused on recent economic trends and prospects for 2008, while the second was devoted to growth and social development in 2007 as well as prospects for 2008.

Mr. Kozul-Wright said that the report, whose theme is "Africa and the Monterrey Consensus: Tracking Performance and Progress", was an attempt to assess where the region stood in relation to the key issues flagged at the 2002 International Conference on Financing for Development held in Monterrey, Mexico. They included domestic resource mobilization, mobilization of international financial resources, international trade as an engine of growth, financial and technical cooperation for development, the external debt problem and systemic issues of coherence. The report presented "a before-and-after assessment" of achievements in relation to Monterrey, and the limited progress made with respect to most of the objectives expected and, indeed, promised in 2002.

Mr. Hong said Africa's relatively strong growth in the past few years had been driven by robust global demand for primary commodities and increases in international commodity prices. For example, 13 oil-exporting African countries had contributed more than 60 per cent of the continent's gross domestic product growth in 2007. The report also emphasized intensified economic ties between Africa and Asia, with the former's exports to China having more than quadrupled over the past five years and both China and India having increased their assistance to and investment in Africa. Among the domestic factors contributing to the continent's growth were improvements in macroeconomic stability and a decline in political and armed conflict, particularly in West and Central Africa.

However, economic performance remained uneven across the continent, he said, noting that East Africa continued to lead while growth in Central Africa remained the lowest. The policy challenges to sustaining robust growth included intensifying inflationary pressures and the appreciation of many African currencies. It was also important to find ways to translate gross domestic product growth into job creation and poverty reduction. The lack of decent jobs in the formal sector, underemployment, particularly in rural areas, and working poverty were also among the main problems. The report stressed the need to translate economic growth into benefits for marginalized and vulnerable groups of people, including women, the elderly, youth and those with disabilities.

The report's bright outlook for 2008 depended on a number of strong assumptions, including continued robust global demand for commodities and sustained high commodity prices, he continued. Given the recent deterioration of the financial crisis in the United States and the increased risk of a recession in that country, the predicted 6.2 per cent growth for Africa seemed "very very optimistic". As a matter of fact, the report saw a United States-led global downturn as a major risk.

Among other things, the report revealed that less than 20 countries in Africa were currently on track to meet a significant number of the Millennium Development Goals, he said. It also pointed out that Africa could benefit from the Doha Round of trade negotiations if developed countries opened more of their markets to the region's African exports. Special and differential treatment remained important for many African economies, as did concrete application of the aid-for-trade principle, agreed by the World Trade Organization Ministerial Conference in 2006.

Mr. Kozul-Wright said there was still a need to address serious deficits and problems if Monterrey's overall intent was to be realized. There had been improvements, for example, in terms of domestic savings and investment performance, but an average investment rate of 20 per cent of gross domestic product for sub-Saharan Africa was utterly inferior to what was actually needed. Most estimates would put the "ballpark figure" for an investment target between 25 and 35 per cent. With the annual growth target for that area established at 7 to 8 per cent on a sustained 10- to 20-year basis, even a recent upturn in performance had not taken that figure above 6 per cent as an average for the continent. Much would depend on domestic policy issues, including weaknesses in capital markets and public investment.

Monterrey was part of the international community's promise to make poverty history, and official development assistance (ODA) was a necessary part of those efforts, he said. Aid flows to Africa had increased from an average of \$16 billion a year before the Monterrey Conference to \$28 billion in the period following it, but that was "way below" the \$50 billion target. Other "usual problems" with assistance included disbursements falling short of commitments, persistent volatility of aid flows and insufficient quality and quantity to meet the targets.

The report confirmed that there was a long way to go in terms of debt and aid, he said. Having made payments in the amount of some \$550 billion, Africa had already paid back more than it had borrowed, but the size of its debt remained in the order of \$250 billion. That placed a strain on growth that must be addressed in order for the goals of Monterrey to be met in a meaningful time frame. There had been a reduction in the size of official debt, particularly in the last couple of years, but a large part of that amount related to a single debt-relief event, the writing down of some \$30 billion in Nigerian debt.

At the same time, there had been an increase in commercial debt, he continued, stressing the need to revisit the whole question of external debt sustainability and to determine how the Heavily Indebted Poor Countries (HIPC) Debt Initiative could be improved. More technical assistance was needed to help sub-Saharan African countries manage their debt. From a development perspective, the only decent position that the international community should take was to find mechanisms to write off debt in as short a time as possible.

Asked about obstacles to debt reduction, Mr. Kozul-Wright said they related to political will. "If you can find, in the space of six months, \$450 billion to bail out your own financial markets, you can certainly find \$200 billion as the international community, to write down the debt of African countries, if you so wish." In fact, Governments and, to some extent, multilateral financial institutions still found it convenient to have the option of imposing conditionality on the developing countries that were still financially beholden to them.

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